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LAB-04 SIL-01 L-03 H-02 DODE-00 PA-01 PRS-01 INT-05

FEA-01 AGR-05 IO-10 /114 R

DRAFTED BY AF/C:RSTRAND:JDP

APPROVED BY AF:WSCHAUFLE

D:MR. BEECROFT (DRAFT)

EB/IFD/ODF:RSWART (DRAFT)

EXIMBANK:MR. BIEM (INFO)

OPIC:MR. MIDDLETON(INFO)

S/S:O-LRMACFARLANE

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P 230224Z DEC 75

FM SECSTATE WASHDC

TO AMEMBASSY KINSHASA PRIORITY

INFO AMEMBASSY PARIS PRIORITY

AMEMBASSY PRETORIA PRIORITY

AMEMBASSY BRUSSELS PRIORITY

C O N F I D E N T I A L STATE 301319

E.O. 11652:GDS

TAGS:EMIN, EFIN, EINV, CG, US

SUBJECT:SMTF

REF: 1. STRAND/WALKER LETTER 12/18/75

2. STATE 294677(NOTALL)

, BOARD CHAIRMAN SWEARINGEN OF STANDARD OIL OF INDIANA

INFORMED DEPUTY SECRETARY INGERSOLL DECEMBER 19 THAT

STANDARD HAS DECIDED TO BEGIN PROCESS OF MOTHBALLING SMTF

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PROJECT. DEPUTY SECRETARY HAD DISCUSSED SMTF PROBLEMS WITH

SWEARINGEN AND OTHER SMTF REPS DECEMBER 9 (REF 2) AND HAD PHONED SWEARINGEN DECEMBER 17 TO REITERATE DEPARTMENT VIEW THAT MOTHBALLING PROJECT WOULD HAVE ADVERSE EFFECT ON US INTERESTS IN ZAIRE AND IN AFRICA IN GENERAL. INGERSOLL HAD URGED SWEARINGEN TO DEFER DECISION UNTIL AFTER COMPLETION OF IBRD REVIEW OF SMTF'S REQUEST FOR ADDITIONAL FINANCING, WHICH MCNAMARA HAS PROMISED WILL BE COMPLETED BY EARLY JANUARY.

2. IN EXPLAINING STANDARD'S DECISION, SWEARINGEN TOLD INGERSOLL THAT SHUTTING DOWN WILL COST ABOUT DOLS. 75 MILLION AND WILL TAKE THREE MONTHS. PROCESS CAN BE REVERSED IF NEW MONEY CAN BE FOUND AND PROJECT FINANCING RESTRUCTURED. IF DECISION IS NOT REVERSED, ONLY A CARETAKER FORCE WILL BE LEFT BY APRIL 1.

3. ACCORDING TO TEMPELSMAN, CHARTER (ANGLO-AMERICAN) HAS CONCURRED IN STANDARD DECISION BUT WILL, LIKE STANDARD, CONTINUE TO LOOK FOR WAYS TO SOLVE THE PROJECT'S FINANCIAL PROBLEMS AND REVERSE THE COURSE NOW DECIDED UPON. TEMPELSMAN ALSO REPORTS THAT THE FRENCH, WHILE THEY COULD PROBABLY NOT HOPE TO CARRY ON THE PROJECT WITHOUT THE TWO MAJOR PARTNERS, ARE STRONGLY OPPOSED TO MOTHBALLING AND THAT GOF HAS URGED WORLD BANK TO RESPOND POSITIVELY TO SMTF'S APPEAL FOR FINANCING.

4. SWEARINGEN TOLD INGERSOLL MOBUTU WOULD BE INFORMED THAT THE PARTNERS HAVE DECIDED TO "SLOW DOWN AND REASSESS." IN DESCRIBING SITUATION TO PROJECT LENDERS, STANDARD IS ALSO APPARENTLY AVOIDING GIVING IMPRESSION THAT IT HAS TAKEN ANY DEFINITIVE DECISION BUT RATHER IS SAYING THAT IT IS CONTINUING TO SEEK NEW FINANCING AND THAT IT WISHES LENDERS TO CONTINUE TO PREPARE FOR LOAN AGREEMENT SIGNINGS.

5. SWEARINGEN TALKED OF INFORMING MOBUTU BETWEEN CHRISTMAS AND NEW YEARS, BUT TEMPELSMAN BELIEVES CONSULTATIONS AMONG SMTF PARTNERS AND ELABORATION OF TACTICS WILL MAKE IT POSSIBLE FOR THIS TO HAPPEN BEFORE EARLY JANUARY. DEPARTMENT WILL BE CONSULTING WITH SMTF ON APPROACH TO MOBUTU AND WILL KEEP EMBASSY ADVISED.
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6. TEMPELSMAN, ACCOMPANIED BY SORENSON AND DEVLIN, HAVE APPOINTMENT TO SEE SECRETARY DECEMBER 23. WE EXPECT THEM TO ASK HIM TO WEIGH IN WITH MCNAMARA TO GET FAVORABLE DECISION ON SMTF'S APPLICATION FOR WORLD BANK FINANCING AND ALSO TO ASK WHETHER USG (EXIM, OPIC AID) MIGHT PICK UP RISK ON INTERIM EXPENDITURES IF PARTNERS WERE TO AGREE TO CONTINUE WORK PENDING ARRANGEMENT OF ADDITIONAL FINANCING.

7. COMMENT: WHILE MCNAMARA REMAINS COMMITTED TO LETTING SMTF KNOW IN EARLY JANUARY WHAT HE THINKS THE BANK CAN DO, HE TOLD SWEARINGEN LAST WEEK THAT SMTF "SHOULD PRO"CEED WITH CAUTION" WHILE AWAITING BANK'S RESPONSE, HE DISCOURAGED ANY THOUGHT OF AN IBRD INTERIM GUARANTEE BEFORE LONGER-RANGE FINANCING ARRANGEMENTS ARE COMPLETED. PARTICIPATION IN THIS PROJECT WOULD POSE A NUMBER OF

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SERIOUS POLICY PROBLEMS FOR BANK; EB, AFTER CONSULTATION WITH U.S. EXECUTIVE DIRECTOR OF BANK, IS NOT SANGUINE ABOUT THE PROSPECTS FOR ANY SIGNIFICANT BANK INVOLVEMENT. EVEN IF THE BANK SHOULD DECIDE TO PARTICIPATE, ONLY A SMALL PART OF THE DOLS 200 MILLION SMTF IS SEEKING COULD COME FROM THE BANK GROUP ITSELF. THE BULK WOULD HAVE TO BE THIRD-PART, MOST LIKELY OPEC-COUNTRY, MONEY BROKERED BY THE BANK. THE DEPARTMENT BELIEVES THAT, ONCE MCNAMARA HAS GIVEN A PRELIMINARY REPLY, IT WOULD MAKE SENSE FOR THE SMTF PARTNERS TO BRING TOGETHER THE FINANCIAL INSTITUTIONS PRINCIPALLY INTERESTED IN THE PROJECT, INCLUDING EXIM AND OPIC, TO VENTILATE THE PROJECT'S PROBLEMS AND SEEK WAYS TO SALVAGE IT.

8. REF DEPTTEL BEING REPEATED TO PARIS AND PRETORIA. KISSINGER

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